

General Criteria for Certificate of Need

1. Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - a) The relationship of the proposal to any existing applicable plans;
 - b) The population served by the proposal;
 - c) The existing or certified services or institutions in the area;
 - d) The reasonableness of the service area;
 - e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, and low-income groups;
 - f) Comparison of utilization/occupancy trends and services offered by other are providers; and
 - g) The extent to which Medicare, Medicaid, and medically indigent patients will be served by the project.
2. Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - a) Whether adequate funds are available to the applicant to complete the project;
 - b) The reasonableness of the proposed project costs;
 - c) Anticipated revenue from the proposed project and the impact on existing patient chargers
 - d) Participation in state/federal revenue programs;
 - e) Alternatives considered; and
 - f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.
3. Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate

and effective health care system may be evaluated upon the following factors:

- a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, affiliation of the project with health professional schools);
- b) The positive or negative effects attributed to duplication or competition;
- c) The availability and accessibility of human resources required by the proposal, including consumers and related providers; and
- d) The quality of the proposed project in relation to applicable governmental or professional standards.

A. ECONOMIC FACTORS

1. Immediate financial feasibility:

- a) The cost per square foot of new construction should be reasonable in relation to similar facilities in the state;
- b) The financing mechanism should be structured to assure that funds to develop the facility will be available on reasonable terms;
- c) The business plans for the facility will take into consideration the special needs of the service area population, including the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. The HSDA will take specific note of these considerations when making their certificate of need determinations;
- d) The proposed charges should be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas; and
- e) Staff salaries should be reasonable in comparison with prevailing wage patterns in the area.

1. Long Term Financial Feasibility:

- a) The projected utilization rates should be sufficient to maintain cost-effectiveness; and
- b) The projected cash flow should ensure financial viability within two years and evidence should be shown that sufficient cash flow is available until that point is reached so as not to threaten the long term financial viability of the facility.

2. Consideration of More Cost-Effective Alternatives:

- a) The existence of superior alternatives in terms of costs, efficiency, and efficacy should be identified. If development of such alternatives is not practicable, the applicant should justify why not; and

- b) The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

B. Contribution to the Orderly Development of Health Care

1. Availability of appropriate professional staff:

- a) All licensing certifications as required by the State of Tennessee for professional staff shall be met. These include, without limitation, regulations concerning physician credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education; and
- b) The applicant should document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal.

2. Licensure, Accreditation, and Certification:

- a) All licensed health care facilities and services shall comply with licensure requirements of the Tennessee Department of Health, and the Tennessee Department of Mental Health and Substance Abuse Services;
- b) An existing provider must document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction; and
- c) It will be deemed to be a positive factor if the applicant seeks certification to participate in both the Medicare and TennCare programs, so as to afford access for those populations.

3. Consideration of Alternatives:

The applicant's alternatives to the proposed project should indicate logical reasons as to why they were adopted or rejected.

4. Effect on Existing Providers:

The applicant should describe the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

5. Data Collection:

The applicant should state in the proposal that it will, if approved, provide HSDA and/or the reviewing agency information concerning the number of patients treated, the number and type of procedure performed, and other data as required.